



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

February 16, 2000

H.R. 701 **Conservation and Reinvestment Act of 1999**

As ordered reported by the House Committee on Resources on November 10, 1999

SUMMARY

CBO estimates that enacting H.R. 701 would increase direct spending by about \$1.4 billion in fiscal year 2002 and by a total of \$7.8 billion through fiscal year 2005. Assuming appropriation of the authorized amounts, the bill would also result in discretionary spending totaling about \$3.7 billion over this period. Because the bill would affect direct spending, pay-as-you-go procedures would apply.

H.R. 701 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). The spending authorized by the bill would include grants for state, local, and tribal governments. Any costs incurred by these governments to meet the conditions of assistance would be voluntary.

Direct Spending

H.R. 701 would establish the Conservation and Reinvestment Act (CARA) Fund within the Treasury. Beginning in fiscal year 2001, the Secretary of the Treasury would make annual deposits into this fund of about \$2.8 billion from oil and natural gas royalties and other income derived from exploration and development of the Outer Continental Shelf (OCS). Each year thereafter, the Secretary would transfer this money to certain existing federal funds and accounts for land conservation, acquisition, and management. Most of this money—about \$2.4 billion a year—would be available for spending without further appropriation actions. The balance—\$450 million annually—could not be spent without Congressional approval in a subsequent appropriation act. Finally, the bill would allow a portion of the interest earnings of the CARA Fund—an estimated \$18 million annually—to be spent without further appropriation action.

Discretionary Spending

The bill also would authorize appropriations for existing federal programs. Section 203 would authorize the appropriation of \$900 million from the Land and Water Conservation Fund for fiscal year 2002 and each year thereafter. In addition, \$450 million from the CARA Fund would become available to the Land and Water Conservation Fund each year, pending Congressional approval, in an appropriation act, of properties to be acquired with these funds. Also, section 5 would authorize the appropriation of about \$53 million a year, from interest earned on amounts in the CARA Fund, for payments to local governments in lieu of taxes and for revenue-sharing payments related to wildlife refuges.

Budgetary Treatment

Section 7 would designate all receipts and spending associated with this bill as off-budget, meaning that all affected cash flows would no longer be subject to budgetary controls of the Congressional Budget Act and the Balanced Budget and Emergency Deficit Control Act.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO estimates that enactment of H.R. 701 would provide new budget authority of about \$9.6 billion over the 2002-2005 period. This amount includes \$9.5 billion as specified in section 5 and about \$70 million from interest earnings. Total outlays from new direct spending authority would be about \$1.4 billion in fiscal year 2002 and about \$7.8 billion through 2005.

We estimate that the bill also would authorize the appropriation of \$5.6 billion over the 2000-2005 period, including over \$5.4 billion from the Land and Water Conservation Fund and about \$200 million from interest earned on balances in the CARA Fund. Assuming appropriation of these amounts, CBO estimates that the resulting discretionary outlays would total \$391 million in 2002 and \$3.7 billion through 2005.

The estimated budgetary impact of H.R. 701 is shown in the following table. The costs of this legislation fall within budget functions 300 (natural resources and environment) and 800 (general government).

	By Fiscal Year, in Millions of Dollars					
	2000	2001	2002	2003	2004	2005
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	0	2,393	2,393	2,393	2,393
Estimated Outlays	0	0	1,394	1,845	2,196	2,354
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law						
Budget Authority	613	0	0	0	0	0
Estimated Outlays	411	351	122	41	4	2
Proposed Changes						
Estimated Authorization Level	0	0	1,403	1,403	1,403	1,403
Estimated Outlays	0	0	391	863	1,133	1,336
Spending Under H.R. 701						
Authorization Level ^a	613	0	1,403	1,403	1,403	1,403
Estimated Outlays	411	351	513	904	1,137	1,338
<small>a. The amount for 2000 is the amount appropriated for land acquisition (\$467 million), payments in lieu of taxes (\$135 million), and revenue-sharing payments related to wildlife refuges (\$11 million).</small>						

BASIS OF ESTIMATE

For purposes of this estimate, CBO assumes that H.R. 701 will be enacted during fiscal year 2000 and that receipts from OCS activities will be sufficient to finance the entire amounts specified to be deposited into the CARA Fund each year. We also assume that the full amounts allocated to each program or grantee will be disbursed and that no such amounts will be returned to the fund in any year. Outlays for all programs have been estimated on the basis of existing similar activities.

CARA Fund

Beginning in fiscal year 2002, H.R. 701 would provide \$2.4 billion in annual budget authority, allocated to activities and programs as follows:

- \$1 billion to the Department of the Interior (DOI) for payments to coastal states to study and mitigate the effects of OCS activities and for related conservation programs;

- \$450 million to the Land and Water Conservation Fund for federal and state land acquisition;
- A total of \$575 million to provide additional funding for existing DOI grant programs, including the urban parks and recreation program (\$125 million) and historic preservation fund (\$100 million) operated by the National Park Service (NPS), and federal wildlife restoration (\$350 million) administered by the U.S. Fish and Wildlife Service (USFWS);
- \$200 million to DOI, the Forest Service, and Indian tribes for the protection of resources, including the restoration of degraded lands and related maintenance projects; and
- \$150 million to the USFWS for new programs to assist state, local, or tribal agencies and nonprofit organizations in purchasing conservation easements, and to provide financial assistance to any person developing and implementing recovery plans for endangered or threatened species.

In addition, \$450 million from the CARA Fund would be available to be appropriated each year for federal land acquisition. Under section 205, the Secretary of the Interior or the Secretary of Agriculture could not spend these funds on any acquisition of land unless such acquisition is approved by the Congress in an appropriation act. CBO therefore classifies the spending of this \$450 million as discretionary spending.

Interest Earnings

In addition to the \$2.4 billion of specified budget authority, section 5 also would make the interest earned from the investment of balances in the CARA Fund available for fiscal assistance and other purposes, subject to certain limitations. CBO estimates that interest earnings on balances in the CARA Fund would be about \$70 million annually. Spending of about \$53 million of annual interest earnings would be subject to appropriation; spending of the remaining \$18 million would be available without further appropriation.

Other Discretionary Spending Effects

In addition to the amounts made available without further appropriation actions from the Land and Water Conservation Fund, H.R. 701 would authorize the appropriation of up to \$1.35 billion annually from the fund, also beginning in fiscal year 2002. Presently, there is no specific authorization of appropriations from Land and Water Conservation Fund, which

receives deposits of about \$900 million annually, mostly from OCS receipts. Federal agencies have received fiscal year 2000 appropriations of \$467 million from this fund. Assuming the annual appropriation of the \$1.35 billion authorized by the bill, CBO estimates that this provision would result in outlays of about \$340 million in fiscal year 2002 and about \$3.5 billion over the 2002-2005 period. Appropriations of the interest earnings from the CARA Fund would add another \$53 million a year in outlays.

Budgetary Treatment

Section 7 would mandate that \$2.825 billion of annual OCS receipts, as well as all federal spending governed by the bill, would no longer be counted as receipts, budget authority, or outlays for purposes of the federal budget, including the calculation of deficits or surpluses. Such amounts would be exempt from budget limitations imposed under any federal statute, including annual allocations of budget authority and outlays made to Congressional committees under the Congressional Budget Act. This provision does not affect the estimated cost of this legislation as reflected in the table above or the treatment of this bill for Congressional scorekeeping purposes. Implementation of H.R. 701, however, would have the effect of reducing the on-budget surplus by a total of \$2.8 billion in fiscal year 2001 and by over \$14 billion through 2005 because it would remove a portion of OCS receipts from the on-budget accounts. It might lead to smaller on-budget appropriations for programs currently funded from the Land and Water Conservation Fund, but CBO has no basis for predicting what that effect would be. Assuming appropriation of amounts that would be authorized by the legislation, its enactment would reduce off-budget spending by \$2.8 billion in 2001 and by \$2.6 billion over the 2001-2005 period.

PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted. Pay-as-you-go scoring does not apply to off-budget items. Therefore, the table below shows the pay-as-you-go impact on two different bases: (1) ignoring the changes in budgetary treatment specified by section 7, and (2) reflecting only the on-budget impacts that would result from implementing section 7.

	By Fiscal Year, in Millions of Dollars										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Without Change in Budgetary Treatment											
Changes in outlays	0	0	1,394	1,845	2,196	2,354	2,393	2,394	2,394	2,394	2,394
Changes in receipts	Not applicable										
With Change in Budgetary Treatment											
Changes in outlays	0	2,825	2,825	2,825	2,825	2,825	2,825	2,825	2,825	2,825	2,825
Changes in receipts	Not applicable										

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 701 contains no intergovernmental mandates as defined in UMRA. The spending authorized by this bill would include grants for state, local, and tribal governments. These grants would be subject to various matching, planning, and maintenance-of-effort requirements. Any expenditures necessary to meet these requirements would be voluntary.

ESTIMATED IMPACT ON THE PRIVATE SECTOR. None

ESTIMATE PREPARED BY

Federal Costs: Deborah Reis

Impact on State, Local, and Tribal Governments: Marjorie Miller

ESTIMATE APPROVED BY

Robert A. Sunshine

Assistant Director for Budget Analysis